

Internal Revenue Service  
P.O. Box 2508  
Cincinnati, OH 45201

Department of the Treasury

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Employer Identification Number:

Contact Person - ID Number:

Contact Telephone Number:

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LEGEND

B= Organization  
C= Scholarship Program  
D= Company  
P= Organization

Dear :

We have considered your request for advance approval of your employer-related grant-making program under section 4945(g)(1) of the Internal Revenue Code, dated June 4, 2010.

Our records indicate that you are recognized as exempt from Federal income tax under section 501(c)(3) of the Code and that you are classified as a private foundation as defined in section 509(a).

Your letter indicates that grants funded by you, private foundation P, will be administered, supervised, and paid out by B. B is exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code and has been classified as a publicly supported organization. The name of your scholarship program is C.

Under the terms of an agreement, you will make annual contributions to B to fund scholarships for the children of the employees of D. B will prepare and furnish application forms, receive all applications, determine the recipients and amount to be awarded, notify the recipients of the award, confirm enrollment in an educational institution, make payment of the award, and supervise and investigate the use of the grant funds by the recipients in their educational programs. Recipients are determined solely by B utilizing selection criteria you provided whereby each candidate is evaluated based on the following three elements: financial need, academic/merit, and leadership abilities.

Each applicant will receive a score based on these three components. Financial need will constitute half of an applicant's score. Academic/merit-based criteria, such as academic record, test scores awards, and an appraisal by a school official or work supervisor will constitute another 25% of the score. Finally, leadership ability, participation in school and community activities, appraisals and work experience will constitute the last 25% of the applicant's score. Other criteria, as you may from time to time

determine, may also be used to decide among students who have demonstrated financial need.

In making the determination of financial need, B generally follows a formula similar to that used by college financial aid offices, which considers the following criteria: (a) parental income (adjusted gross income); (b) federal taxes paid; (c) state taxes paid; (d) family size (number of individuals living in the household); (e) extraordinary medical expenses; (f) assets; and (g) number of family members enrolled at least half-time in a post secondary institution.

The program will be open to any high school senior or graduate who is a dependent child of an employee of D at the time of the application deadline and who will be enrolled as a degree candidate in an accredited foreign or domestic educational institution meeting the requirements of section 170(b)(1)(A)(ii) of the Code. The program officers of B are familiar with colleges and universities around the world and generally already know the institutions in the United States or abroad where scholarship recipients study and can be confirmed as eligible colleges and universities. If B is not familiar with the school or university, it contacts the institution and/or reviews publicly available information about the institution to ensure that it is a legitimate college or university.

You will retain B to assist in administering C. Such assistance will include but will not be limited to, screening applicants and selecting recipients of scholarship awards, and addressing any other program-related needs at your request. B will be a separate entity. B may forward its selections to you or to D in order to verify an applicant's eligibility. Any public announcement of the awards will be made by you or B. Grants will be awarded in the order recommended by B. The number of grants awarded may be reduced by you but may not be increased from the number recommended by B. Only B may vary the amount of the grants. The exact number and amounts of scholarships in a given year awarded by C will depend on a number of factors, including the number and qualifications of the applicants for that academic year and your budget for that fiscal year.

B will be primarily responsible for confirming the terms and conditions of the scholarship grants with the recipients. To confirm the terms and conditions, B will require each recipient to complete and return a Scholarship Acceptance Form. The Scholarship Acceptance Form confirms the student's basic information, information regarding the college and degree being pursued, and acknowledgement of the award. The Scholarship Acceptance Form further provides authorization to B to confer with the educational institution to verify that enrollment requirements are satisfied.

The scholarship will take the form of cash to cover tuition, course-related fees, books, room and board, and supplies. Because this is a one-year scholarship, recipients are required to re-apply in order to receive subsequent awards, for a maximum of four years. Both eligibility criteria and the application process remain the same for subsequent applications.

The scholarships will not be used as a means of inducement to recruit employees for the company nor will a grant be terminated if the employee leaves the company after the application due date. Scholarships will only be awarded to students that plan to enroll in an institution that meets the requirements of section 170(b)(1)(A)(ii) of the Code. In the cases where the educational institution is foreign and does not have an IRS determination

letter, the institution must be one for which the Foundation has made a good-faith determination that the institution is described in section 170(b)(1)(A)(ii) pursuant to procedures described in Treasury regulation section 53.4945-5(a)(5).

Where the scholarship is remitted directly to the educational institution at which the recipient is enrolled, the educational institution will be required to agree, per Treas. Reg. Section 53.4945-4(c)(5), it will: (1) use grants funds to defray the recipient's expenses, or (2) pay the funds (or a portion thereof) to the recipient, only if the recipient is enrolled full time at the educational institution and in good academic and disciplinary standing consistent with the purposes for which the scholarship was awarded.

Where the scholarship is awarded directly to a recipient, or to an educational institution without the agreement per Treas. Reg. Section 53.4945-4(c)(5), the disbursement of funds will be conditioned on confirmation by the educational institution at which the student enrolled that the recipient is in full-time study and in good academic and disciplinary standing. You will require the recipient to furnish annual reports of courses taken and grades received during each academic period. Where a recipient's course of study involves the preparation of research and projects instead of coursework, the recipient will be required to furnish annual progress reports that are approved by a supervising faculty member or other appropriate university officials. Upon completion of a recipient's course of study at an educational institution the recipient will be required to furnish a final report.

You and B agree to check each potential foreign grantee and each foreign educational institution any potential grantee intends to attend, against the OFAC List before disbursing any funds to such grantee or educational institution.

Where the scholarship is awarded directly to a recipient, or to an educational institution without the agreement per Treas. Reg. Section 53.4945-4(c)(5), you or B will investigate any indication of misused funds; withhold further funds until any delinquent reports have been submitted or otherwise required by Regulation 53.4945-4(c)(4); and seek recovery and rededication depending upon the circumstances.

In the event the recipient withdraws, leaves, or drops out of the academic program for which the scholarship has been granted, B will be primarily responsible for following up with the grantees. In addition, B will be responsible for collecting any of the scholarship funds that are refunded to the student by the educational institution and remitting those funds back to P.

The recipient will not be restricted in his/her course of study. B, in accordance with its longstanding policies and procedures, will monitor compliance with the requirements of Rev. Proc. 76-47. Usually, B will make sure that 25% or fewer applicants receive scholarship awards. In some cases, you may provide information about the total number of eligible recipients and B will make sure that the number of recipients receiving awards is less than 10% of that figure.

Sections 4945(a) and (b) of the Code impose certain excise taxes on "taxable expenditures" made by a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of subsection (g).

Section 4945(g) of the Code provides that section 4945(d)(3) shall not apply to individual grants awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance if it is demonstrated that:

- (1) The grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii);
- (2) The grant constitutes a prize or award which is subject to the provisions of section 74(b), if the recipient of such prize or award is selected from the general public, or
- (3) The purpose of the grant is to achieve a specific objective, produce a report or similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee.

Section 53.4945-4(c)(1) of the Regulations provides that to secure approval, a private foundation must demonstrate that:

- (i) Its grant procedure includes an objective and nondiscriminatory selection process;
- (ii) Such procedure is reasonably calculated to result in performance by grantees of the activities that the grants are intended to finance; and
- (iii) The foundation plans to obtain reports to determine whether the grantees performed activities that the grants are intended to finance.

Revenue Procedure 76-47, 1976-2 C.B. 670, sets forth guidelines to be used in determining whether a grant made by a private foundation under an employer-related program to a child of an employee of the particular employer to which the program relates is a scholarship grant that meets the provisions of section 117(a) of the Code (as that section read before the Tax Reform Act of 1986). If a private foundation's program satisfies the seven conditions set forth in Sections 4.01 through 4.07 of Rev. Proc. 76-47 and meets the percentage test described in Section 4.08, the Service will assume the grants meet the provisions of section 117(a), as that section read before the Tax Reform Act of 1986.

You have agreed that procedures in awarding grants under your program will be in compliance with Sections 4.01 through 4.07 of Rev. Proc. 76-47 (without regard to the amendments to section 117(a) made by the Tax Reform Act of 1986). In particular, the selection of individual grant recipients will be made by a selection committee the members of which are totally independent and separate from the private foundation, the foundation's creator, and the relevant employer. The grants will not be used as a means of inducement to recruit employees nor will a grant be terminated if the employee leaves the employer. The recipient will not be restricted in a course of study that would be of particular benefit to the relevant employer or to the foundation.

Section 4.08 of Rev. Proc 76-47 provides a percentage test guideline. It states in the case of a program that awards grants to children of employees

of a particular employee, the program meets the percentage test if either of the following tests are met: the number of grants awarded under that program in any year to such children do not exceed 25 percent of the number of employees' children who were eligible, were applicants for such grants, and were considered by the selection committee in selecting the recipients of grants in that year, or the number of grants awarded under the program in any year to such children does not exceed 10 percent of the number of employees' children who can be shown to be eligible for grants (whether or not they submitted an application) in that year.

You have agreed that your program will meet the requirements of either the 25 percent or 10 percent percentage test of Section 4.08 applicable to a program that awards grants to children of employees of a particular employer. Records should be maintained to show that you meet the applicable percentage test of Section 4.08

This determination is issued with the understanding that in applying the 10 percent test applicable to employees' children set forth in Rev. Proc. 76-47, you will include as eligible only those children who meet the eligibility standards described in Rev. Proc. 85-51, 1985-2 C.B. 717.

This determination will remain in effect as long as the procedures in awarding grants under your program remain in compliance with Sections 4.01 through 4.08 of Rev. Proc. 76-47 (without regard to the amendments to section 117(a) made by the Tax Reform Act of 1986). If you enter into any other program covering the same individuals, the percentage test of Rev. Proc. 76-47 must be met in the aggregate.

Based on the information submitted and assuming your award programs will be conducted as proposed, your procedures for granting the awards comply with the requirements contained in section 4945(g)(1) of the Code and that awards granted in accordance with such procedures will not constitute "taxable expenditures" within the meaning of section 4945(d)(3).

In addition, we have determined that awards made under your procedures are excludable from the gross income of the recipients subject to the limitations provided by section 117 of the Code.

This determination is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that no grants will be awarded to foundation managers, or members of the selection committee, or for a purpose that is inconsistent with the purpose described in section 170(c)(2)(B) of the Code.

The approval of your employer-related grant-making program is a one-time approval. This determination only covers the grant programs described above. Thus, approval shall apply to subsequent grant programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should maintain adequate records and histories so that any or all grant distributions can be substantiated upon request by the Internal Revenue Service.

This determination is directed only to the organization that requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited as a precedent.

You must report any future changes in your grant making procedures. Please keep a copy of this letter in your permanent records.

We have sent a copy of this letter to your representative as indicated in your power of attorney.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Lois G. Lerner  
Director, Exempt Organizations

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